Sales Floor Size

Balance Sheet Data	Sales Area Under 10,000 Sq. Ft.	10,000 Sq. Ft. To 19,999 Sq. Ft.	Sales Area 20,000 Sq. Ft. Or More
Total Dollar Assets	$838,451	$706,286	$999,092
		% of Total Assets	
Assets			
Cash and Equivalent	5.43	3.94	4.53
Notes and Contracts Receivable	3.86	3.56	5.53
Accounts Receivable	24.81	17.76	15.42
Merchandise Inventory (End of Year)	39.41	45.93	43.50
Other Current Assets	2.41	3.80	1.81
Total Current Assets	75.92	74.99	70.79
Stocks & Bonds	2.35	3.01	2.41
Real Estate (Not Used in Business)	1.08	.42	2.77
Other Investments	2.21	3.55	5.30
Total Investments	5.64	6.98	10.48
Land (Owned and Used in Business)	2.35	2.26	2.06
Buildings (Owned and Used in Business less Depreciation)	8.34	8.00	9.33
Machinery and Office Equipment (Owned and Used in Business less Depreciation)	5.49	6.26	7.17
Other Fixed Assets	2.26	1.51	.17
Total Fixed Assets	18.44	18.03	18.73
Total Assets	100.00%	100.00%	100.00%
Liabilities and Net Worth			
Accounts Payable	14.54	12.95	11.31
Notes Payable	11.18	6.76	10.29
Accrued Expenses Payable	3.18	4.62	3.93
Federal Income Taxes Payable	.56	.82	.29
Other Current Liabilities	2.29	2.18	1.78
Total Current Liabilities	31.75	27.33	27.60
Long Term Debt	14.82	10.80	16.75
Deferred Income Taxes	.33	.14	.15
Other Long Term Liabilities	2.90	7.12	(2.77)
Total Long Term Liabilities	18.05	18.06	14.13
Total Liabilities	49.80	45.39	41.73
Net Worth	50.20	54.61	58.27
Total Liabilities and Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	9.60%	17.76%	14.27%
Active Owner's Return	30.41%	35.77%	31.42%
Current Asset Ratio	2.39x	2.75x	2.57x
Quick Asset Ratio	1.15x	1.06x	.99x
Total Debt to Tangible Net Worth	99.15%	83.07%	74.12%
Stock Turn Times	4.57x	3.88x	4.01x
Sales to Inventory Ratio	6.24x	5.65x	5.87x
Average Inventory per Sq. Ft. Sales Area	$52.65	$28.03	$20.38
Net Sales to Accounts Receivable	10.20x	14.30x	16.92x
Net Sales to Total Assets	2.53x	2.54x	2.54x
Net Sales to Net Worth	5.04x	4.65x	4.40x
Net Sales to Net Working Capital	5.73x	5.33x	5.89x
Other Operating Data			
Incoming Freight — % of Purchases	.21%	.38%	.61%
Credit Sales — % of Total Gross Sales	52.69%	47.36%	43.42%
Consumer Sales — % of Total Gross Sales	65.43%	74.49%	78.43%
Inventory — % Stored in Central Warehouse	50.00%	28.00%	7.31%
Selling Area — Square Feet	8,398	13,106	26,154
Sales Per Square Foot — Selling Area	$252.69	$136.84	$104.91
Total Area — Square Feet	17,685	22,476	38,710
Sales Per Square Foot — Total Area	$119.99	$79.79	$67.62
Sales Per Person Employed	$111,171	$85,687	$90,752
Sales Per Customer	$42.16	$19.33	$15.20

Type of Origin

Income Statement Data	Originally Hardware Store	Originally Lumber Building Materials	Organized As Home Center
Number of Stores	72	80	13
Net Sales Volume	$1,311,461	$2,819,701	$1,512,070
Current Year's Sales vs. Previous Year*	+ .65%	- 5.39%	+ 7.49%
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	66.10	72.41	69.54
Margin	33.90	27.59	30.46
Payroll and Other Employee Expense			
Salaries — Owners, Officers, Managers	5.14	3.55	3.02
Salaries — Other Employees	10.97	9.96	11.36
Federal and State Payroll Taxes	.94	.95	1.13
Group Insurance	.36	.50	.60
Benefit Plans	.44	.86	.46
Total Payroll and Other Employee Expense	17.85	15.82	16.57
Occupancy Expense			
Heat, Light, Power, Water	.92	.46	.74
Repairs to Building	.34	.55	.33
Rent or Ownership in Real Estate**	3.05	2.16	3.56
Total Occupancy Expense	4.31	3.17	4.63
Other Costs of Doing Business			
Advertising	2.07	1.52	1.94
Depreciation (Other than Real Estate)	.68	.60	.79
Insurance (Other than Real Estate or Group)	.62	.48	.68
Taxes (Other than Real Estate or Payroll)	.48	.38	.55
All Other Expenses	4.58	4.50	4.56
Total Other Costs of Doing Business	8.43	7.48	8.52
Total Operating Expense	30.59	26.47	29.72
Net Operating Profit	3.31	1.12	.74
Other Income	1.20	1.48	.58
Net Profit (Before Income Taxes)	4.51	2.60	1.32
Financial Performance			
Profit on Investment	15.85%	13.97%	7.59%
Active Owner's Return	33.89%	33.06%	24.91%
Current Asset Ratio	3.29x	2.34x	2.17x
Quick Asset Ratio	1.09x	1.13x	.74x
Total Debt to Tangible Net Worth	53.08%	101.29%	118.94%
Stock Turn Times	2.99x	5.03x	3.48x
Sales to Inventory Ratio	4.53x	6.95x	5.01x
Average Inventory per Sq. Ft. Sales Area	$21.24	$45.33	$25.51
Net Sales to Accounts Receivable	21.95x	10.46x	17.49x
Net Sales to Total Assets	2.29x	2.67x	2.62x
Net Sales to Net Worth	3.51x	5.38x	5.74x
Net Sales to Net Working Capital	4.28x	6.38x	6.38x
Other Operating Data			
Incoming Freight — % of Purchases	.82%	.19%	.37%
Credit Sales — % of Total Gross Sales	33.44%	56.36%	41.48%
Consumer Sales — % of Total Gross Sales	87.67%	56.18%	75.92%
Inventory — % Stored in Central Warehouse	.00%	57.86%	5.00%
Selling Area — Square Feet	15,350	11,469	14,838
Sales Per Square Foot — Selling Area	$85.44	$245.85	$101.91
Total Area — Square Feet	22,049	24,546	19,842
Sales Per Square Foot — Total Area	$59.48	$114.87	$76.21
Sales Per Person Employed	$67,569	$113,089	$80,507
Sales Per Customer	$10.08	$49.11	$6.59

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Trade Area Size

Income Statement Data	S. M. S. A.	Cities 10,000 to 50,000	Rural Areas Under 10,000
Number of Stores	39	66	66
Net Sales Volume	$2,592,660	$2,081,551	$1,635,897
Current Year's Sales vs. Previous Year*	- 3.67%	- 3.90%	- 3.03%
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	69.07	69.25	73.01
Margin	30.93	30.75	26.99
Payroll and Other Employee Expense			
Salaries — Owners, Officers, Managers	3.70	4.19	4.03
Salaries — Other Employees	11.29	10.46	9.14
Federal and State Payroll Taxes	1.01	.95	.93
Group Insurance	.42	.41	.56
Benefit Plans	.84	.59	.75
Total Payroll and Other Employee Expense	17.26	16.60	15.41
Occupancy Expense			
Heat, Light, Power, Water	.60	.63	.59
Repairs to Building	.47	.35	.59
Rent or Ownership in Real Estate**	2.36	3.01	2.02
Total Occupancy Expense	3.43	3.99	3.20
Other Costs of Doing Business			
Advertising	1.79	1.72	1.60
Depreciation (Other than Real Estate)	.75	.66	.51
Insurance (Other than Real Estate or Group)	.45	.50	.64
Taxes (Other than Real Estate or Payroll)	.40	.42	.39
All Other Expenses	4.68	4.80	4.29
Total Other Costs of Doing Business	8.07	8.10	7.43
Total Operating Expense	28.76	28.69	26.04
Net Operating Profit	2.17	2.06	.95
Other Income	1.28	1.31	1.66
Net Profit (Before Income Taxes)	3.45	3.37	2.61
Financial Performance			
Profit on Investment	16.54%	14.27%	13.31%
Active Owner's Return	34.28%	32.00%	33.93%
Current Asset Ratio	2.38x	2.56x	2.90x
Quick Asset Ratio	1.14x	1.03x	1.20x
Total Debt to Tangible Net Worth	89.75%	80.61%	86.39%
Stock Turn Times	4.55x	3.73x	4.37x
Sales to Inventory Ratio	6.57x	5.39x	5.99x
Average Inventory per Sq. Ft. Sales Area	$31.94	$28.75	$36.35
Net Sales to Accounts Receivable	11.90x	12.03x	13.75x
Net Sales to Total Assets	2.56x	2.35x	2.74x
Net Sales to Net Worth	4.79x	4.24x	5.11x
Net Sales to Net Working Capital	5.82x	5.30x	5.41x
Other Operating Data			
Incoming Freight — % of Purchases	.42%	.11%	.63%
Credit Sales — % of Total Gross Sales	50.20%	50.49%	45.66%
Consumer Sales — % of Total Gross Sales	68.37%	74.87%	71.04%
Inventory — % Stored in Central Warehouse	5.00%	4.17%	42.22%
Selling Area — Square Feet	13,428	15,772	10,459
Sales Per Square Foot — Selling Area	$193.08	$131.98	$156.41
Total Area — Square Feet	22,041	27,206	19,203
Sales Per Square Foot — Total Area	$117.63	$76.51	$85.19
Sales Per Person Employed	$95,503	$89,460	$104,115
Sales Per Customer	$39.01	$15.18	$27.70

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Store Location: Part I

Income Statement Data	Downtown	Suburban	Rural
Number of Stores	33	102	14
Net Sales Volume	$2,040,143	$2,265,277	$1,836,290
Current Year's Sales vs. Previous Year*	- 4.70%	- 4.87%	+ 8.59%
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	70.94	70.53	73.82
Margin	29.06	29.47	26.18
Payroll and Other Employee Expense			
Salaries — Owners, Officers, Managers	3.51	4.11	2.94
Salaries — Other Employees	9.41	10.54	8.90
Federal and State Payroll Taxes	.93	.95	.89
Group Insurance	.37	.50	.31
Benefit Plans	.95	.69	.58
Total Payroll and Other Employee Expense	15.17	16.79	13.62
Occupancy Expense			
Heat, Light, Power, Water	.46	.57	.63
Repairs to Building	.32	.55	.30
Rent or Ownership in Real Estate**	1.88	2.48	2.57
Total Occupancy Expense	2.66	3.60	3.50
Other Costs of Doing Business			
Advertising	1.57	1.65	1.20
Depreciation (Other than Real Estate)	.78	.62	.47
Insurance (Other than Real Estate or Group)	.54	.51	.74
Taxes (Other than Real Estate or Payroll)	.42	.42	.31
All Other Expenses	5.11	4.43	4.63
Total Other Costs of Doing Business	8.42	7.63	7.35
Total Operating Expense	26.25	28.02	24.47
Net Operating Profit	2.81	1.45	1.71
Other Income	1.37	1.40	1.10
Net Profit (Before Income Taxes)	4.18	2.85	2.81
Financial Performance			
Profit on Investment	15.10%	13.87%	19.52%
Active Owner's Return	27.76%	33.84%	39.92%
Current Asset Ratio	2.95x	2.47x	2.05x
Quick Asset Ratio	1.49x	1.07x	.81x
Total Debt to Tangible Net Worth	75.99%	79.59%	135.90%
Stock Turn Times	4.13x	4.44x	4.78x
Sales to Inventory Ratio	5.83x	6.29x	6.48x
Average Inventory per Sq. Ft. Sales Area	$32.39	$32.63	$35.97
Net Sales to Accounts Receivable	7.98x	13.69x	11.86x
Net Sales to Total Assets	2.05x	2.70x	2.95x
Net Sales to Net Worth	3.61x	4.86x	6.95x
Net Sales to Net Working Capital	4.18x	6.13x	7.36x
Other Operating Data			
Incoming Freight — % of Purchases	.39%	.24%	.73%
Credit Sales — % of Total Gross Sales	60.55%	48.94%	52.66%
Consumer Sales — % of Total Gross Sales	66.86%	72.07%	64.43%
Inventory — % Stored in Central Warehouse	41.67%	1.00%	70.00%
Selling Area — Square Feet	11,957	14,006	10,829
Sales Per Square Foot — Selling Area	$170.62	$161.74	$169.57
Total Area — Square Feet	20,047	25,202	16,051
Sales Per Square Foot — Total Area	$101.77	$89.88	$114.40
Sales Per Person Employed	$106,295	$95,737	$105,361
Sales Per Customer	$36.30	$17.99	$42.92

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Store Location: Part II

Income Statement Data	Shopping Centers: Neighborhood	Shopping Centers: Community Or Regional	Free-Standing: No Stores Adjacent	Free-Standing: Stores Nearby
Number of Stores	12	17	43	79
Net Sales Volume	$2,332,493	$1,492,571	$1,945,641	$2,259,655
Current Year's Sales vs. Previous Year*	-6.19%	+5.71%	-9.05%	-2.99%
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	72.16	66.58	70.17	71.86
Margin	27.84	33.42	29.83	28.14
Payroll and Other Employee Expense				
Salaries — Owners, Officers, Managers	2.71	4.68	3.84	4.17
Salaries — Other Employees	9.95	11.03	10.44	9.67
Federal and State Payroll Taxes	.96	.98	1.06	.90
Group Insurance	.44	.46	.45	.50
Benefit Plans	.24	1.15	.77	.67
Total Payroll and Other Employee Expense	14.30	18.30	16.56	15.91
Occupancy Expense				
Heat, Light, Power, Water	.43	1.02	.63	.53
Repairs to Building	.38	.32	.37	.60
Rent or Ownership in Real Estate**	2.88	3.84	2.57	2.16
Total Occupancy Expense	3.69	5.18	3.57	3.29
Other Costs of Doing Business				
Advertising	2.10	1.89	1.54	1.58
Depreciation (Other than Real Estate)	.75	.46	.76	.62
Insurance (Other than Real Estate or Group)	.48	.45	.76	.45
Taxes (Other than Real Estate or Payroll)	.42	.26	.58	.36
All Other Expenses	5.49	4.37	4.89	4.35
Total Other Costs of Doing Business	9.24	7.43	8.53	7.36
Total Operating Expense	27.23	30.91	28.66	26.56
Net Operating Profit	.61	2.51	1.17	1.58
Other Income	1.36	.62	1.57	1.39
Net Profit (Before Income Taxes)	1.97	3.13	2.74	2.97
Financial Performance				
Profit on Investment	10.44%	16.57%	11.00%	14.67%
Active Owner's Return	24.80%	41.39%	26.42%	35.30%
Current Asset Ratio	2.15x	2.45x	2.63x	2.53x
Quick Asset Ratio	.88x	.72x	1.18x	1.14x
Total Debt to Tangible Net Worth	165.87%	72.91%	74.09%	80.28%
Stock Turn Times	3.21x	3.84x	4.29x	4.63x
Sales to Inventory Ratio	4.44x	5.76x	6.11x	6.45x
Average Inventory per Sq. Ft. Sales Area	$39.98	$18.52	$27.64	$38.31
Net Sales to Accounts Receivable	8.79x	26.51x	10.79x	12.70x
Net Sales to Total Assets	1.99x	3.07x	2.31x	2.75x
Net Sales to Net Worth	5.29x	5.30x	4.02x	4.95x
Net Sales to Net Working Capital	5.08x	7.02x	5.37x	5.89x
Other Operating Data				
Incoming Freight — % of Purchases	10%	.49%	.25%	.38%
Credit Sales — % of Total Gross Sales	60.43%	35.47%	53.13%	51.01%
Consumer Sales — % of Total Gross Sales	89.33%	87.41%	68.08%	68.84%
Inventory — % Stored in Central Warehouse	12.50%	.00%	.00%	39.00%
Selling Area — Square Feet	15,792	16,756	12,982	12,239
Sales Per Square Foot — Selling Area	$147.70	$89.08	$149.87	$184.63
Total Area — Square Feet	26,850	24,038	24,147	19,752
Sales Per Square Foot — Total Area	$86.87	$62.09	$80.57	$114.40
Sales Per Person Employed	$94,848	$68,393	$92,568	$109,274
Sales Per Customer	$28.25	$7.94	$31.00	$18.36

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Number of Stores

Income Statement Data	Single Store Business	Multiple Store Business
Number of Stores	130	44
Net Sales Volume	$2,109,362	$1,772,270
Current Year's Sales vs. Previous Year*	- 4.08%	- .32%
Net Sales	100.00%	100.00%
Cost of Goods Sold	70.19	70.23
Margin	29.81	29.77
Payroll and Other Employee Expense		
Salaries — Owners, Officers, Managers	4.04	3.57
Salaries — Other Employees	10.45	10.13
Federal and State Payroll Taxes	.97	.91
Group Insurance	.40	.53
Benefit Plans	.74	.51
Total Payroll and Other Employee Expense	16.60	15.65
Occupancy Expense		
Heat, Light, Power, Water	.58	.74
Repairs to Building	.39	.59
Rent or Ownership in Real Estate**	2.39	3.15
Total Occupancy Expense	3.36	4.48
Other Costs of Doing Business		
Advertising	1.63	1.88
Depreciation (Other than Real Estate)	.68	.57
Insurance (Other than Real Estate or Group)	.54	.63
Taxes (Other than Real Estate or Payroll)	.37	.53
All Other Expenses	4.62	4.99
Total Other Costs of Doing Business	7.84	8.60
Total Operating Expense	27.80	28.73
Net Operating Profit	2.01	1.04
Other Income	1.22	1.64
Net Profit (Before Income Taxes)	3.23	2.68
Financial Performance		
Profit on Investment	13.96%	14.16%
Active Owner's Return	31.43%	41.38%
Current Asset Ratio	2.53x	2.82x
Quick Asset Ratio	1.10x	1.05x
Total Debt to Tangible Net Worth	82.04%	105.11%
Stock Turn Times	4.01x	4.56x
Sales to Inventory Ratio	5.71x	6.43x
Average Inventory per Sq. Ft. Sales Area	$28.46	$144.98
Net Sales to Accounts Receivable	11.62x	24.29x
Net Sales to Total Assets	2.38x	3.15x
Net Sales to Net Worth	4.32x	6.70x
Net Sales to Net Working Capital	5.28x	6.55x
Other Operating Data		
Incoming Freight — % of Purchases	.31%	.67%
Credit Sales — % of Total Gross Sales	50.90%	44.34%
Consumer Sales — % of Total Gross Sales	71.68%	80.34%
Inventory — % Stored in Central Warehouse	12.50%	39.00%
Selling Area — Square Feet	13,016	13,693
Sales Per Square Foot — Selling Area	$162.06	$143.30
Total Area — Square Feet	21,810	24,454
Sales Per Square Foot — Total Area	$96.72	$78.59
Sales Per Person Employed	$94,610	$96,656
Sales Per Customer	$19.14	$24.45

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Strategic Profit Model

Strategic Profit Model
The Strategic Profit Model can be an excellent management tool for home center retailers. The Model combines the principal elements of a firm's operating statment and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth: profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

Profit Margin
Sales — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

Cost of Goods Sold — Improve Gross Margin through variable pricing, efficient buying, etc.

Expenses — Trimming expenses is difficult in view of today's high inflation, labor costs, occupancy expense, etc., however, carefully review each item of expense for areas of cost savings.

Other Income — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

Asset Turnover
Inventory — Decrease inventory level through a careful review of the levels of all items, trim slow moving items, eliminate obsolete items.

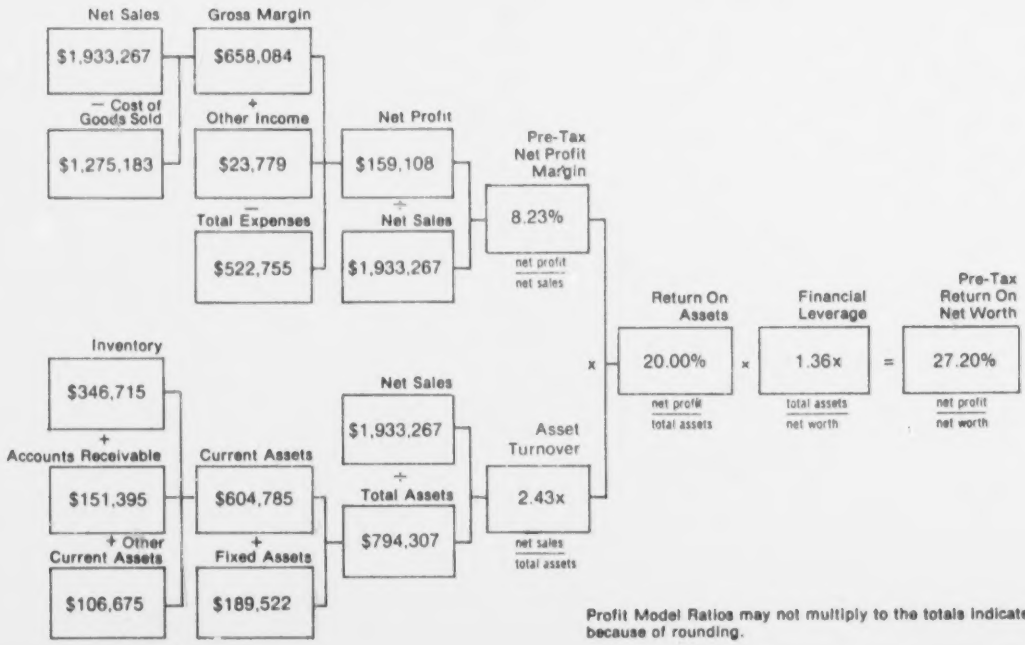
Accounts Receivable — Review status of accounts; if excessively high without the use of a finance charge, customers are operating on the firm's money.

Fixed Assets — Divide Net Sales by Fixed Assets; a substantially lower than industry average ratio indicates excessive investments resulting in idle capacity.

Leverage
The amount of borrowed funds has a number of major implications 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

High-Profit Home Centers



Profit Model Ratios may not multiply to the totals indicated because of rounding.

Departmental Sales

Many Bottom Line contributors provided detailed information on sales, margins, inventory, cost of goods sold and space occupied by major departments found in U.S. home centers. Almost half of the sample is made up of home centers with lumber and building material origins; the other half of the sample is comprised of centers with hardware origins and those organized as home centers. Although results may be somewhat biased toward lumber and building materials, the section should give an excellent indication of operating results obtained in various departments found in U.S. home centers.

Departmental Contributions

Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory, cost of goods sold and dollar productivity per square foot of sales area. These data are for **Handling Firms Only.** All stores participating in the survey that did not carry a certain department were not included in the computation of the average data for that department.

As an example to help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in the Financial Report shows that 90.0% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are **only** for the 90.0% of stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the averages of other operators who also carry that department.

The Financial Report also presents an **Average Store Profile.** This profile shows data for a home center handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of a home center that does not carry all the major departments? How can the relationships of only carried departments be compared to a total store industry average? The necessary data are contained in the Report — only a simple computation is required.

First, for each department carried, add the industry average percents for Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for an outlet carrying only these departments.

An example, a home center carries only four departments — Hardware, Hand and Power Tools, Paint and Sundries and Lumber/Building Materials. Assume The Financial Report indicates percent of Net Sales for handling firms for each department to be:

Hardware	15.0%
Hand and Power Tools	10.0%
Paint and Sundries	20.0%
Lumber/Building Materials	50.0%

The total of these percents equals 95.0%. Now divide the total (95.0%) into each of the individual department's percent:

Hardware	15.0 / 95.0	= 15.8%
Hand and Power Tools	10.0 / 95.0	= 10.5%
Paint and Sundries	20.0 / 95.0	= 21.1%
Lumber/Building Materials	50.0 / 95.0	= 52.6%

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand and Power Tools, Paint and Sundries, and Lumber/Building Materials. This same procedure can be followed to determine the **Average Store Profile** for the percent of sales floor space, inventory and cost of goods sold.

Productivity

There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The table presented on the following page examines these departmental evaluation criteria.

The first evaluative measure is departmental gross margin.

On the basis of margin alone, the following departments would be considered high performing departments: paint and paint sundries, hardware, hand and power tools and electrical supplies. Margin evaluations alone would indicate major appliances and home entertainment, lumber and building materials to be below average performance.

An additional measure is the sales to inventory ratio. On the basis of this ratio alone, the paint and paint sundries and lumber departments highly exceed the other department averages.

An excellent way for home center operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover. GMROI is computed by taking margin percentage times the sales to inventory ratio. Below, GMROI is expressed as an index. Lawn and Garden's GMROI, for example, is 1.82 which means $1.82 in margin is returned for each $1.00 invested in Lawn and Garden inventory. GMROI of 1.82 is computed by taking margin (31.9%) times the sales to inventory ratio (5.7x), (31.9% x 5.7x = 1.82). Resultant GMROI figures give home center operators ways to measure departmental performance across diverse merchandise lines. Traditional high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

An additional evaluative measure shown on the next page is sales per square foot of sales area. Individual home center operators may utilize other evaulations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

Departmental Contribution

Department	Handling Firms Only: % Handling	% of Net Sales	% of Sales Floor	% of Inventory	% of Cost of Goods Sold	$ Sales Per Sq. Ft. Sales Area	Average Store Profile: % of Net Sales	% of Sales Floor	% of Inventory	% of Cost of Goods Sold
Hardware	100.0	9.0	14.4	11.4	7.9	127.48	8.7	14.4	11.3	8.0
Hand & Power Tools	100.0	5.1	7.0	7.0	4.4	130.89	4.9	6.5	6.5	4.0
Plumbing, Heating and Cooling	100.0	7.3	9.5	6.7	4.6	151.45	6.9	9.2	6.3	4.3
Electrical Supplies	100.0	5.3	7.8	4.7	3.6	137.89	5.0	7.6	4.3	3.3
Paint & Paint Sundries	98.7	8.3	10.4	8.5	7.3	145.05	8.2	10.3	8.3	7.1
Lumber	100.0	28.2	9.7	26.1	32.6	363.04	22.5	6.7	23.1	28.5
Building Materials	100.0	29.1	25.9	30.3	38.9	211.08	24.8	16.9	23.9	30.0
Lawn & Garden	85.7	7.6	10.8	8.2	7.1	84.03	6.5	8.8	6.8	6.2
Housewares	52.0	6.3	14.4	7.0	6.9	68.52	3.2	7.2	2.9	2.4
Automotive Supplies	35.1	3.8	5.3	3.5	4.3	72.19	1.3	2.2	1.0	1.1
Major Appliances & Home Entertainment	22.1	4.9	10.2	2.9	5.6	108.50	1.1	1.9	.2	.6
Sporting Goods & Outdoor Equipment	35.1	6.7	7.7	4.3	4.7	83.24	2.4	2.7	1.1	.9
Other Departments	55.8	8.4	8.9	8.7	7.6	96.81	4.5	5.6	4.3	3.6
							100.0	100.0	100.0	100.0

Productivity

	Typical Store Profile: Gross Margin %	Sales To Inventory Ratio	GMROI
Hardware	34.1	5.5x	1.88
Hand & Power Tools	34.5	5.0x	1.73
Plumbing, Heating & Cooling	33.5	5.6x	1.88
Electrical Supplies	34.0	5.5x	1.87
Paint & Paint Sundries	34.4	6.0x	2.06
Lumber	23.3	6.6x	1.54
Building Materials	25.1	5.5x	1.38
Lawn & Garden	31.9	5.7x	1.82
Housewares	28.6	5.7x	1.63
Automotive Supplies	33.0	5.4x	1.78
Major Appliances & Home Entertainment	18.1	3.2x	.58
Sporting Goods & Outdoor Equipment	32.6	4.5x	1.47
Other Departments	27.4	4.9x	1.34

Compensation Study

Compensation data has been gathered for eight types of retail hardgood industry employees:

Department Managers
Employees who have specific responsibility for a given department or departments like the housewares, paint, or electrical supply departments.

Sales Personnel
Employees who spend the majority of their time on the sales floor, ordering and stocking as well as selling.

Office Personnel
Those who spend the majority of their time in the office — accountants, bookkeepers, billing clerks, data processing personnel, etc.

Check-Out/Counter Help
Employees who spend most of their time at the cash register or information counter.

Delivery Personnel
Employees who spend the majority of their time delivering goods and orders — also includes receiving help.

Warehouse Personnel
Employees who spend the majority of their time in the store or cental warehouse. Includes fork-lift operators, truckloaders, order processors, foremen and other warehouse personnel.

Yard Personnel
Employees who spend the majority of their time in the lumber yard. Includes material handlers, fork-lift operators, yard foremen and estimators.

Other Personnel
Any other employee not covered in the above categories, including shop-labor, repairmen, watchmen and janitorial personnel.

Even though wage rates differ substantially by locality, the results contained in this section provide many guidelines for comparison. The Compensation Study presents for each employee classification data related to:
—Average number per $100,000 sales
—% Full-Time
—Annual Salary
—Wage per Hour
—Annual Man Hours Worked

Average Number Per Sales
—Computed by dividing the number of employees in each category by Net Sales stated in thousands of dollars.
—Expressed as a number.
—Shows the number of employees for each category per $100,000 in sales.
—For example, sales equal $2 million. First divide $2 million by $100,000 = 20.0. Next, divide each category by 20. For example, 8 full-time sales = 8 ÷ 20 = 0.40 per $100,000.

% Full Time
—Computed by dividing the number of Full-Time Employees in each category by all employees in that category.
—Shows the percentage of employees in each category who are full-time (30 or more hours per week).

Annual Salary
—All wages and bonuses paid.

Wage Per Hour
—Computed by dividing the annual salary including bonuses by the total man hours worked.

Annual Man Hours Worked
—Regular and overtime hours less vacation time. Useful when compared to past performance.

Additionally the Compensation Study presents data for three important measures of productivity for all employees and sales personnel:
—Sales per Year
—Sales per Man Hour
—Sales per $ Payroll

Sales Per Year
—Computed by dividing the total annual Net Sales by the total number of employees or the total number of sales personnel only.
—Expressed in retail sales dollars.
—Measures employee productivity.

Sales Per Man Hour
—Computed by dividing the total annual Net Sales by the total man hours worked for all employees or by the total man hours worked for sales personnel only.
—Expressed in retail sales dollars.
—Measures employee productivity.
—Useful when compared with past performance results. The ratio gives an indication of sales produced per hours worked.

Sales Per $ Payroll
—Computed by dividing the total annual Net Sales by the total annual payroll for all employees or by the total annual payroll for sales personnel only.
—Expressed in retail sales dollars.
—Measures employee productivity.
—The ratio measures sales generated per dollar of payroll expense. Again useful when compared to past performance.

Additional data gathered on Owners, Officers and Store Managers is available on a confidential basis from NRHA or your regional Hardware Association. To obtain your copy, request the Bottom Line Owner, Officer and Manager Compensation Report on your firm's letterhead.

All Home Centers

Type of Employee	Average Number Per $100,000 Sales	% Full Time	Annual Salary Includes Bonus $	Wage Per Hour $	Annual Man Hours Worked
Department Managers	.11		16,876	8.07	2,091
Sales —Full-Time	.24	68.97	11,601	5.65	2,054
Sales —Part-Time	.16			4.79	986
Office — Full-Time	.10	80.75	11,659	5.84	1,996
Office — Part-Time	.05			4.08	848
Check-Out — Full-Time	.09	58.48	8,664	4.57	1,896
Check-Out — Part-Time	.13			3.67	914
Delivery — Full-Time	.10	83.90	11,953	6.03	1,982
Delivery — Part-Time	.10			3.13	821
Warehouse — Full-Time	.05	71.60	12,128	5.53	2,193
Warehouse — Part-Time	.05			4.19	888
Yard — Full-Time	.15	73.75	12,334	6.01	2,053
Yard — Part-Time	.11			3.13	791
Other — Full-Time	.12	79.50	11,291	5.53	2,042
Other — Part-Time	.11			2.67	699
All Full-Time Employees*	.85	72.41	12,031	5.92	2,031
All Part-Time Employees	.71			4.02	892

Productivity

Type of Home Center	Sales Per Year: All Employees** $	Sales Per Year: Sales Personnel Only $	Sales Per Man Hour: All Employees** $	Sales Per Man Hour: Sales Personnel Only $	Sales Per $ Payroll: All Employees** $	Sales Per $ Payroll: Sales Personnel Only $
All Home Centers	83,659	285,722	48.20	169.11	7.08	30.88
Sales Volume						
Under $1,000,000	56,791	143,660	36.99	93.72	6.58	21.48
$1,000,000 to $2,999,999	84,936	279,512	49.66	163.47	6.79	28.65
$3,000,000 or More	96,046	414,577	51.69	231.01	7.74	40.38
Sales Floor Size						
Under 10,000 Sq. Ft.	97,728	482,606	52.88	277.92	7.47	43.55
10,000 to 19,999 Sq. Ft.	71,806	216,767	45.20	140.11	6.75	25.73
20,000 Sq. Ft. or More	82,590	235,791	45.97	128.95	6.84	26.05
Type of Origin						
Hardware Origin	62,219	158,787	38.47	96.23	6.54	21.53
Lumber/Building Material Origin	98,314	426,728	53.77	245.16	7.32	37.45
Organized as a Home Center	64,921	185,634	40.46	107.17	6.84	23.76
Trade Area Size						
S. M. S. A.	84,034	365,216	47.12	209.62	7.06	35.45
Cities — 10,000 to 50,000	68,048	187,767	41.75	112.64	6.57	23.28
Rural Areas Under 10,000	105,657	421,156	57.31	250.97	7.63	39.20

*Excluding Owners, Officers and Store Managers.
**Including Owners, Officers and Store Managers.

New Home Center Data

To determine the feasibility of a new home center, four distinct planning phases are required:
—Preliminary Financial Analysis
—Market Analysis
—Formal Financial Analysis
—Development of Store Image

Phase I

As the ultimate criterion of feasibility for a proposed home center will be profitability, the planning process should begin with a preliminary financial analysis.

The investment required for a new home center can range between $25 to $60 per square foot, depending on locality, size, occupancy position and personal preferences.

Based on the desired size of the operation, utilize the industry operating averages presented in NRHA's The Bottom Line to estimate sales volumes, gross margins, salaries and other cost of doing business to project Net Profits and Return on Investment for the proposed operation. An important fact to remember is there is a direct correlation between the square feet of sales area, average dollar inventory and the attainable sales volumes.

If the preliminary financial analysis meets predetermined individual requirements in attainable salary levels, Net Profit and Return on Investment, the second phase of planning may be initiated.

Phase II

Site Location

The market area to be served by the proposed home center operation will be primarily determined by the selected site location. Nine major aspects of varying importance determine the worth of a given retail home center location. These aspects are listed below.

Shopping Pull — Businesses in the area which would help draw consumers to the area.

Parking Facilities — Adequate parking requires two to two and a half square feet of parking for every square foot of selling area.

Walk-In Traffic
Traffic Count and Patterns
Accessibility
Visibility
Congestion

Shopping Ease — The ability for the consumer to get out of the store from the point of check-out to his or her auto with a large item.

Ingress and Egress — The ease with which customers can drive to or from the street to the parking area.

To select the best location, each prospective site should be assessed on the nine aspects to determine overall worth as a retail location. A subjective analysis of all aspects for each potential site available combined with an analysis of the cost for property and improvements will provide the basis for selecting the prime site location(s) for further analysis.

Primary Trade Area

After the selections of site(s), for the purpose of analysis it is necessary to bring the market area to be served to manageable proportions. Therefore a Primary Trade Area for the selected site location must be defined. The Primary Trade Area represents the geographical boundries from which the majority of do-it-yourself consumer business for the proposed operation will be derived. These geographical boundries of the Primary Trade Area are affected by many variables. The most influencing variables are the proposed operation's size and merchandise mix, number of consuming residents required to support the operation, driving time to site location, the proximity of retail activity concentrations and natural or man-made barriers.

Size — The ability to draw consumers from a distance to a retail outlet is directly related to the size of the display area and the number, depth and breadth of departmental lines carried.

Number of Consumers — A 10,000 square foot store requires 30,000 to 35,000 consuming residents; a 20,000 square foot store requires 70,000 to 75,000 consuming residents.

Driving Time — Typically a 10,000 square foot store can draw consumers within 10 to 15 minutes driving time, a 20,000 square foot store drawing within 15 to 20 minutes driving time.

Other Retail Stores — Proximity to highly active retail areas helps to share the burden of drawing consumers to the area for shopping purposes.

Barriers — Barriers affecting accessibility to selected site location can dramatically alter the boundries of the Primary Trade Area.

The feasibility of a new home center store within a given Primary Trade Area is dependent on two major factors, the demographic characteristics of the consumers and the number and strength of the competitors.

Consumer Analysis

From past NRHA research it has been learned that demographic variables relating to population growth rate, income levels and incidence of owner-occupied housing are the most critical variables in predicting a consumer's propensity to spend on hardlines.

Population Growth Rate — A viable environment for a new home center requires that the Primary Trade Area experience a minimum of .5 to 1.0 percent annual increase in population with the preferred rate being 2.0 percent or more.

Income Levels — Consumers with middle to upper-middle income have the greatest propensity to purchase hardlines, lumber and building materials.

Type of Housing — Consumers who own their own homes will spend as much as 4 to 5 times more per year for hardlines, lumber and building materials than renters, mobile home or condominium owners.

Competitive Analysis

Although within a given Primary Trade Area consumer demographic variables may indicate a healthy environment for a new home center, feasibility for the proposed operation cannot be determined without an analysis of the competition.

Depending on merchandise mix, primary hardlines and lumber and building material sales represent 70 to 90 percent of the total sales volume for an average home center. Primary hardlines include: hardware, tools, electrical, plumbing, lawn and garden, paint and paint sundries. As these lines represent the substantial majority of sales for a home center, analysis to determine the feasibility of a new store should focus on these lines.

Retail stores which carry competitive lines and would be likely to be shopped by Primary Trade Area residents should be visited and assessed. These retail outlets include all hardware stores, home centers, lumber/building material outlets, mass merchandisers, discount stores, variety and drug stores and specialty stores.

The retail competitors should be delineated by location and preferably spotted on a map. All competitive departmental lines should be assessed on a rating scale. A scale of 1 to 5 has been utilized with a rating of 1 indicating the retailer offers a minimal selection of items and a 5 indicating an excellent departmental offering in both depth and breadth of line.

In this illustration the lawn/garden and paint departments are offered in depth by several strong competitors, indicating a possible market saturation in these lines. Plumbing has a fewer number of competitors carrying and no competitor offers a strong plumbing departmental presentation. The hardware, tools and electrical departments have many competitors, but only a few strong competitors.

To be a home center, the merchandise mix must include all primary hardlines plus lumber and building materials. However, due to the competitive structure of the Primary Trade Area and surrounding Market Area, strategic market thrust can be obtained by offering above average selections in departmental lines that are in poor supply.

In the illustration, based on the competitive situation and desired store image, the proposed operation should plan the following merchandise mix: Hardware — average to above average; Hand Tools — average; Electrical — average to above average; Plumbing — above average; Lawn/Garden — below average-heavy seasonal promotion only; Paint — average to below average; Paint Sundries — average to below average; Lumber, Building Materials — average to above average.

Illustration

	Hdwe.	Tools	Elec.	Plbg.	Lawn/ Gdn.	Pnt.	Sund-ries	Lmbr.	Bldg. Mat'l.
Site Area									
Variety Store	1	1	2	1	3	2			
Drug Store			1		1				
Downtown									
Home Center	5	4	5	4	4	5	5	5	3
Paint Store						5	2		
Auto Supplies		1	1						
East									
Hardware Store	4	3	4	2	5	3	3		
K-Mart	4	5	3	3	5	5	4	3	2
Lumber Outlet	2	1	2	2	1	3	3		
South									
Sears	4	5	4	4	5	5	4		2
Penney	3	4	3	3	4	4	3		
Sherwin Williams					5	5			
Gift Shop									
Super Drugs	2	1	2	2	3	2	1		
Total	25	25	27	21	36	39	25	8	7
# Of Competitors	8	9	10	8	10	10	8	2	3

Phase III

If the analysis indicates a positive environment in both the consumer and competitive characteristics of the Primary Trade Area, a formal financial analysis should then be developed. Unlike the preliminary analysis, this analysis should include the actual cost of land, building fixtures and equipment to determine the total investment required.

The analysis should also include a pro-forma income statement to estimate the profits (losses) for the first three years of operation. Wherever possible actual operating expenses should be utilized — rent, taxes, utilities etc. For those expense items that cannot be determined, NRHA's The Bottom Line will provide guidelines for estimation. Dependent on the projected profit (losses), total capital requirements including working capital will be determined.

One very important factor to remember is that a typical new store will take three years to reach maximum productivity and efficiency or what is termed "store maturity". Therefore do not be overly optimistic on setting performance goals. Based on 1981 dollars, the average new retail home center will achieve sales volumes of only $60 to $70 per square foot in the first year of operation with a second year productivity of $70 to $80 per square foot.

Phase IV

Through a combined analysis of all planning phases, the consumer store image is developed.

Owner's Economic Constraints

Customer Identification

Posture of Major Competitors

will determine

Size of Facility

Merchandise Mix

Service Level

Price Statement

will determine

Store Layout, Design and Decor

which relays

Consumer Store Image

Member Services

Home Center Institute

The Home Center Institute is a service activity of the National Retail Hardware Association, established in 1972 to meet the unique needs of existing home center retailers and traditional hardware or lumber retailers who were changing into home centers.

HCI is the information and service center of the home center industry, and for the first time provides the consumer-oriented home center retailer with a focal point for industry action.

Included among HCI services are a wide variety of programs in the areas of sales training, management development and training, research, consumer information, seminars and workshops, advertising and promotion, management aids, merchandising aids and Washington legislative representation.

HCI concentrates its service activities in those areas where it would be prohibitively expensive — or impossible — for the member to develop his own programs.

HCI makes available to its membership the vast resources of the National Retail Hardware Association, which has established an industry-wide reputation for professional leadership and innovation in its nearly 80 years of serving hardgood retailers.

Management/Education Services

Behind every successful home center is a good management team. HCI is dedicated to providing the managerial and educational programs home center retailers need to manage more efficiently.

Consumer Material
A retailer's D-I-Y library, offering fifty different "Show How" pamphlets.

Show How Theatre
An in-store audio visual program for employee training and for showing manufacturer-provided films to consumers.

Employee Education
The "Advanced Course in Hardware Retailing" provides information on selling, merchandising and display.

Sales Training Workbooks for building materials, plumbing, electrical and hardware offer indepth specialized training.

"How To" tapes and workbooks teach middle management about pricing, theft, motivation, advertising, etc.

Legislative Representation
NRHA's director of government relations voices the home center retailers position on every pertinent issue to Congress, commissions and agencies.

Management Information
"Store Meeting Guide" and "Sales Tips" for employees combine instruction and motivation. "Departmental Merchandising Guide" suggests basic stock and location of displays. "Wage-Hour and Fair Employment Practices Handbook" covers laws and interpretations on employment practices.

Personnel Management Aids
Material to improve interviewing and evaluating job applicants and employees.

Seminars and Workshops
Subjects range from store management to ownership succession. Larger home centers, can make use of these seminars for "in-house" training programs.

Store Planning Services Layout and Merchandising

There's more to furnishing a store than setting up some fixtures. It requires planning, designing the sales floor for maximum efficiency, creating an image with decor, display accessories, proper merchandising and installation of the entire store. The NRHA/HCI's Master Merchant Store Planning Program offers a single source consulting service in all these areas, staffed by highly trained and thoroughly experienced store engineers and merchandising consultants.

Store Planning
An association consultant can design a sales floor that makes effective use of space, appeals to the consumer, increases operating efficiency and improves profit.

Merchandising
Establishes the proper relationship between items and categories of merchandise, feature displays, improved impulse sales and related sales. It involves knowledge of the retailer's market area and the merchandise mix he needs.

Decor
More than identifying departments, good decor can stimulate the customer's buying urges, create a distinctive store image, make customers feel comfortable in the store and keep them coming back.

Fixtures and Equipment
NRHA/HCI provides retailers with fixtures designed specifically for home centers.

Installation
Supervised and scheduled by merchandising consultants working with dedication to minimize interruption of the business in an existing store, and towards on-time opening of a new store.

Leasing and Financing
Available through NRHA to help conserve operating funds for current merchandise needs.

Affiliated Associations

California Retail Hardware Association
William R. Maze
122 Ninth St.
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(415) 552-0536

Canadian Retail Hardware Association
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The Hardware Association of the Carolinas
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Illinois Retail Hardware Association
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Indiana-Kentucky Hardware Association, Inc.
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Intermountain Association
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Iowa Retail Hardware Association
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Southern Association
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Southwest Hardware and Implement Association
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Ft. Worth, TX 76106
(817) 625-5562

Hardware Association of the Virginias
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Richmond, VA 23230
(804) 358-6511

Western Retail Implement and Hardware Association
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638 W. 39th St.
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Kansas City, MO 64141
(816) 561-5323

Wisconsin Retail Hardware Association
Robert L. Gast
1421 Strongs Ave.
Stevens Point, WI 54481
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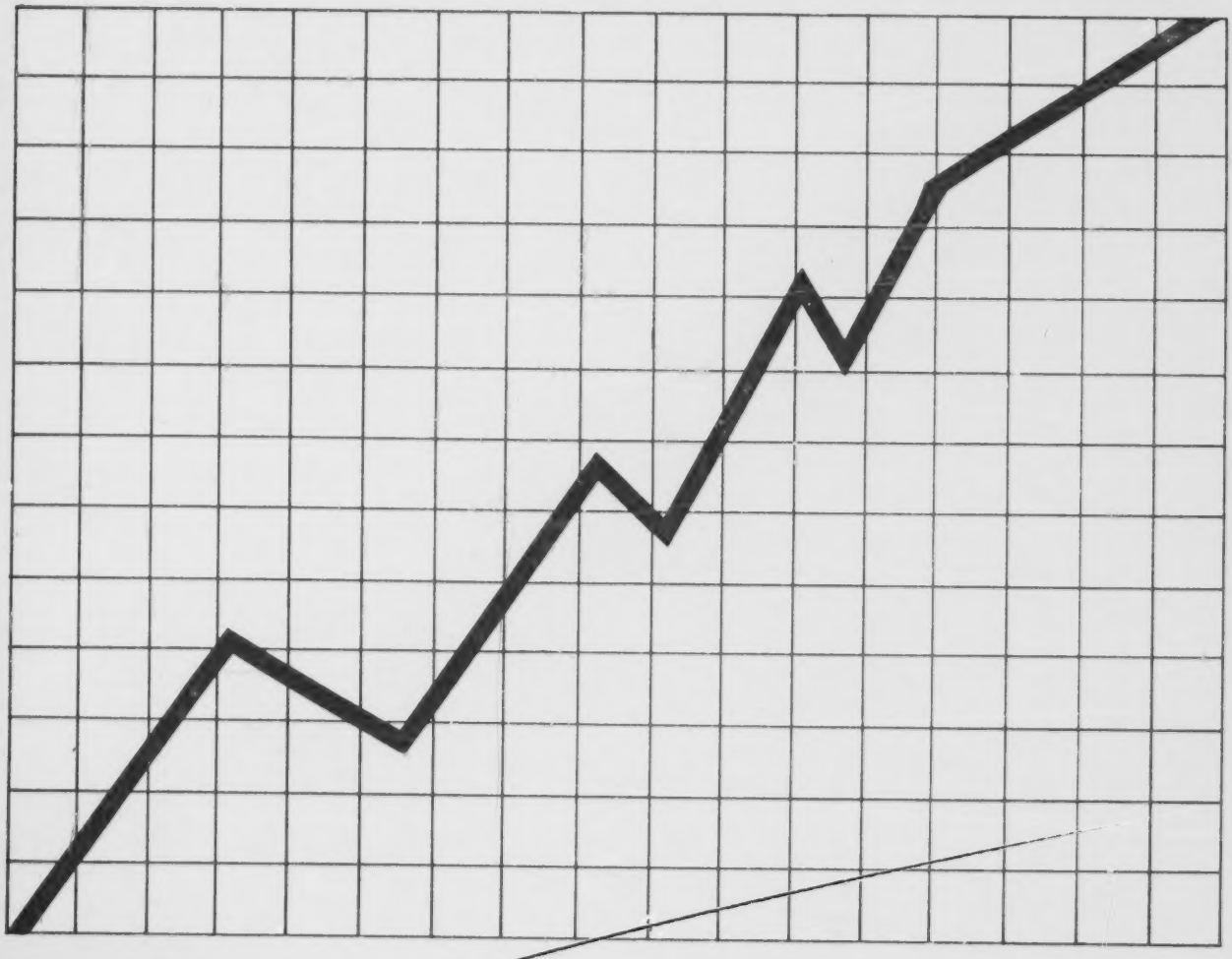
1981
Lumber/Building Materials Financial Report

Financial Report For Retail Lumber/Building Materials Outlets



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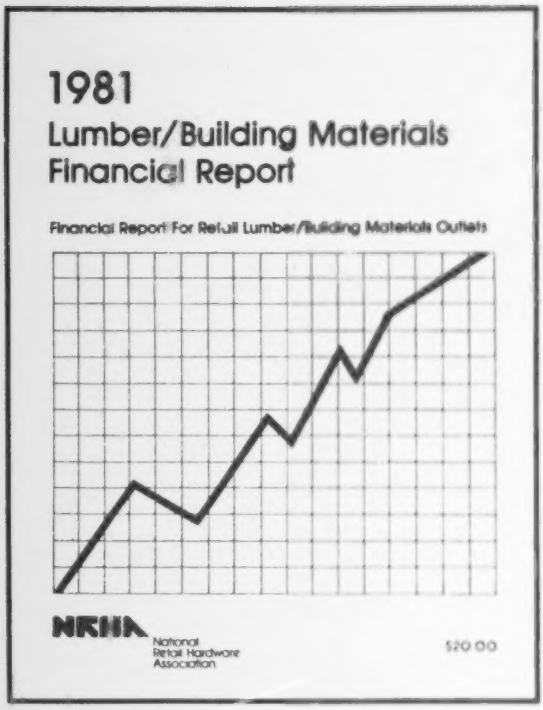

Contents

Introduction	1
Highlights	2
Monthly Sales	2
Average Operating Results	3
All Outlets	5
Sales Volume Size	7
Sales Floor Size	9
Trade Area Size	11
Outlet Location	12
Number of Outlets	13
Strategic Profit Model	14
Departmental Sales	15
All Outlets	16
Productivity	16
Compensation Study	17
All Outlets	18
Productivity	18
New Outlet Data	19

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Introduction

Lumber/Building Material Financial Report

The 1981 Lumber/Building Material Financial Report presents financial operating data for the consumer-oriented lumber and building material industry. To be included, a lumber/building material outlet must actively pursue and derive a portion of total sales from the consumer do-it-yourself market. The outlet must have a retail sales floor and carry basic hardlines in addition to lumber/building materials. The Report is designed to fulfill several objectives: to assess the financial performance of the lumber/building material industry in 1980; to provide comparative financial data so that retailers can measure their performance against other industry members; to provide a frame of reference for profit planning enabling lumber/building material retailers to continually improve performance levels. Additionally the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the industry.

Five Major Sections

The Lumber/Building Material Financial Report is divided into five major sections, Average Operating Results, Strategic Profit Model, Departmental Sales, Compensation Study, and New Store Data. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

Average Operating Results includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

In Departmental Sales, information is presented on the percent of outlets handling major departments found in retail lumber/building material outlets. The percent of net sales, salesfloor, inventory, and cost of goods sold are outlined both for handling firms only and for an average outlet's profile.

The Compensation Study offers information on eight categories of employees. Compensation data on the hours worked, salaries and wages paid and number of persons employed are shown for: department managers, sales personnel, office personnel, check-out/counter help, delivery, warehouse and yard personnel, and other employees.

In **New Store Data,** information on the required planning phase for new store development is presented.

Type of Outlet

Many factors influence a lumber/ building material outlet's cost of doing business. Therefore, Report data are shown in different ways in order that individual operators may make meaningful comparisons. Information contained in Average Operating Results is presented for the following outlet types:

—High and Low Profit
—Sales Volume Size
—Sales Floor Size
—Trade Area Size
—Outlet Location
—Number of Outlets

Methodology

The Lumber/Building Material Financial Report is made possible only through the cooperation of the retail lumber/building material men and women who provided detailed information on their operation. Confidential mail questionnaires were sent to lumber/building material operators the end of February. Two hundred forty-two usable returns were received by June 1, 1981 in time for inclusion in this year's Report.

All dealer survey forms were edited for completeness by NRHA's Research Services Department Staff. Forms were coded for computer processing and **all individual firm identification removed.** For the first time in the history of the Lumber/Building Materials Financial Report the survey forms were then processed by our own data processing department. With the flexibility of working in-house to develop a brand new processing program, the Research Services Department was able to make various changes and improvements in the program. These changes are as follows; if there are any questions concerning them please contact the Research Services Department directly at the National Retail Hardware Association.

Income Statement Data

1. Total Deductions. In the past the percent of total deductions was calculated only for those outlets reporting deductions. The figure is now calculated for **all** outlets, to take into account those outlets that have no deductions. As a result, this year's figures will appear somewhat lower than those reported in the past.

Balance Sheet Data

2. Investments. Previously calculated only for investments as a whole, figures are now reported for stocks and bonds, real estate (not used in the business), and other investments.

3. Fixed Assets. On previous questionnaires fixed assets was divided into the two categories of land-buildings and other fixed assets. It is now split into land, buildings, machinery and office equipment, and other fixed assets.

4. Current Liabilities. Current liabilities has been broken up into accounts payable, notes payable, accrued expenses payable, federal income taxes payable and other current liabilities.

5. Long Term Liabilities. This category has been divided into long term debt, deferred income taxes and other long term liabilities.

Financial Performance Data

6. Incoming Freight. As with Total Deductions, this figure was calculated in the past only for those outlets which reported an amount for freight. It is now calculated for **all** outlets, to include those which have no freight costs per se.

High/Low Profit Outlets Table

7. High versus Low Profit Outlets Table. This table is determined by taking the averages of the outlets with the lowest and the highest percent net profits. In the past, the sample was split into **thirds**, and the bottom and upper thirds were used. We have found, however, that quartile averages are used more frequently and seem to be considered more meaningful. As a result, our low and high profit figures now represent the lowest and highest **fourths** of the sample.

All Tables

8. Sample Sizes. In previous editions of the Lumber/Buidling Material Financial Report the sample size for each of the tables was the same. If demographic information such as the square footage of the outlet was not reported it was either obtained from a past questionnaire on file or was estimated. With the flexibility of the new data processing program, however, we were able to calculate a table only for those outlets which reported the information on their questionnaire. Hence, the sample size varies somewhat from table to table.

As thanks for thier contributive efforts, each lumber/building material operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other outlets in the same sales volume, sales floor, geographical area, and outlet location categories, as well as with the averages for the entire sample.

One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of hardlines retailers. Studies which are available in addition to the Lumber/Building Material Financial Report are the Management Report for retail hardware stores and The Bottom Line for home centers. Each segment of the concentrated hardgoods market is provided with its own cost-of-doing-business comparison manual.

For Assistance

Assistance and aid in interpreting the 1981 Lumber/Building Material Financial Report may be obtained from your regional Hardware Association.

Highlights

Dealers contributing information to the report stated that their sales were down an average of 6.84 percent from the previous year. This is reflected in the average sales per store which decreased from $1,817,605 in 1979 to $1,398,518 in 1980. The average cost of goods sold was down 1.12 percent to 73.45 percent of net sales, leading to an increase in the average gross margin. All other costs such as payroll and occupancy expenses were up, however, resulting in a decrease in net profit on sales. Net profit on investment dropped also, from 22.73 percent to 12.04 percent, and stock turns slid from 4.89 to 4.28.

Type of Lumber Outlet	Net Sales $	Sales Increase Over 1979 (%)	Margin (%)	Net Profit On Sales (%)	Net Profit On Investment (%)	Stock Turns x
All Lumber Outlets	1,398,518	-6.84	26.55	2.92	12.04	4.28
Low Profit	1,399,813	-14.88	24.15	(1.15)	(6.21)	3.96
High Profit	973,114	-4.60	29.73	7.62	19.78	3.62
Sales Volume Size						
Under $500,000	334,623	-1.34	27.94	2.85	7.73	2.96
$500,000 to $999,999	772,997	-11.44	29.25	2.47	8.02	3.13
$1,000,000 to $1,999,999	1,344,560	-7.03	27.69	3.51	13.23	3.95
$2,000,000 or More	4,442,137	-5.54	24.58	2.60	13.97	5.54
Sales Floor Size						
Under 3,000 Sq. Ft.	819,772	-9.77	26.58	2.68	9.82	4.11
3,000 to 4,999 Sq. Ft.	1,331,409	-3.96	27.36	3.50	12.92	3.97
5,000 Sq. Ft. or More	1,804,439	-6.73	25.58	2.59	12.68	4.23
Trade Area Size						
S.M.S.A.	2,061,004	-9.80	27.24	2.76	11.00	5.15
Cities — 10,000 to 50,000	1,776,221	-7.92	26.00	3.11	13.62	4.63
Rural Areas Under 10,000	1,107,407	-4.92	26.65	2.76	11.28	3.84
Outlet Location						
Downtown	1,071,507	-11.00	27.22	2.31	7.53	3.51
Suburban	1,597,802	-5.61	26.43	3.03	13.82	4.66
Rural	1,212,496	-6.49	26.59	3.22	13.51	4.04

Monthly Sales

Shown below are the industry average percent of sales by month. Once again, October is the leading month for consumer-oriented outlets. Although all retail activity is affected by the seasons, the lumber/building material industry experiences greater seasonal sales fluctuations. These fluctuations can cause management problems, particularly in cash flow. To level seasonal sales fluctuations, lumber/building material retailers could consider several courses of action; expansion of product lines carried, better displays, more promotions and increased use of coop advertising dollars.

	%		%
January	7.0	July	9.3
February	6.0	August	9.6
March	6.4	September	9.9
April	8.3	October	10.2
May	8.8	November	8.8
June	9.0	December	6.7

Average Operating Results

Income Statement Data

The Income Statement presents, in a single format, revenue derived from the sale of merchandise and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

Net Sales Volume — The dollar amount of cash sales plus credit sales less total deductions.

Total Deductions — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

Cost of Goods Sold — Inventory First of the Year plus Purchases plus Freight In minus Purchase Rebates minus Inventory End of the Year equals Cost of Goods Sold.

Margin — The difference between Net Sales and the Cost of Goods Sold.

Salaries — Owners, Officers, Managers — The compensation including bonuses paid to owners, officers and store managers who work in the business.

Salaries — Other Employees — The compensation, wages and bonuses, paid to all other employees.

Federal and State Payroll Taxes — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

Group Insurance — All premiums paid to insure employees for health and accident protection.

Benefit Plans — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

Heat, Light, Power and Water — All utility expenses incurred in the operation of the business.

Repairs to Building — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

Rent or Ownership in Real Estate — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land and buildings used in the business.

Office Supplies and Postage — The cost of all materials used for the firm's accounting records.

Advertising — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

Donations — All gifts given from the business operations to charity.

Telephone and Telegraph — For expenses incurred in the operation of the business.

Bad Debts — Uncollectable debts.

Delivery (Other than Wages) — All expenses incurred in the operation of delivery equipment; gas, tires, etc.

Insurance — Premiums paid to insure all assets against fire, theft, etc.

Taxes — All taxes on stock, fixtures, delivery equipment, etc.

Credit Card Expense — Bank charges for processing credit card sales.

Interest on Borrowed Money — The amount of interest paid on borrowed money for all types of notes, loans.

Store and Shop Supplies — The costs of all supplies used in the operation of the store.

Legal and Accounting — The cost incurred for auditing, inventory count, collectors and legal consultation.

Dues and Subscriptions — Fees for memberships and subscription, and expenses for employee training.

Travel, Buying, Entertainment — All expenses incurred in business trips and the entertainment of guests.

Unclassified — All expenses not classified under other headings.

Net Operating Profit — Return on sales before Other Income and Income Taxes when expressed as a percent of Net Sales indicates the percent return on each dollar of sales.

Other Income — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental income.

Net Profit (Before Income Tax) — The net return from the operation of the business.

Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

Current Assets — Cash, notes receivable in the current year, accounts receivable (less reserve for doubtful accounts), merchandise inventories and other assets with a defined short-term life of one year.

Investments — Assets with a long-term life such as stocks and bonds or real estate which are not needed to operate the business.

Fixed Assets — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land and buildings, are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

Current Liabilities — All debts which are due within one year — accounts payable, current portion of notes payable and accrued payroll, taxes, insurance, interest, etc.

Long-Term Liabilities — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

Net Worth — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

Financial Ratios
The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. The proportions are tested by ratio analysis. Sixteen financial ratios are presented in this Financial Report.

Profit On Investment
—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.
—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

Active Owner's Return
—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.
—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

Current Asset Ratio
—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".
—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

Quick Asset Ratio
—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".
—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

Total Debt To Tangible Net Worth
—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.
—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

Stock Turn Times
—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".
—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the liklihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

Sales to Inventory
—Computed by dividing Net Sales by Average Inventory; expressed in "times".
—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

Average Inventory Per Sq. Ft. of Sales Area
—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.
—A rough measure of merchandising efficiency.

Net Sales to Accounts Receivable
—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".
—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

Net Sales to Total Assets
—Computed by dividing Net Sales by Total Assets; expressed in "times".
—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

Net Sales to Net Worth
—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".
—Measures the extent to which sales are supported by invested capital.

Net Sales to Working Capital
—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".
—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

Sales Per Sq. Ft. — Selling Area
—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.
—Measures sales productivity.

Sales Per Sq. Ft. — Total Area
—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.
—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

Sales Per Person Employed
—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.
—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

Sales Per Customer
—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.
—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

All Outlets

Income Statement Data	All Outlets	Low Profit Outlets	High Profit Outlets
Number of Outlets	242	60	61
Net Sales Volume	$1,398,518	$1,399,813	$973,114
Current Year's Sales vs. Previous Year*	-6.84%	-14.88%	-4.60%
Gross Sales	101.64%	103.01%	100.63%
Less: Total Deductions	1.64	3.01	.63
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	73.45	75.85	70.27
Margin	26.55	24.15	29.73
Payroll and Other Employee Expense			
Salaries — Owners, Officers, Store Managers	3.90	3.65	5.27
Salaries — Other Employees	8.98	9.88	7.38
Federal and State Payroll Taxes	.89	.90	.81
Group Insurance	.40	.46	.32
Benefit Plans	.57	.36	.50
Total Payroll and Other Employee Expense	14.74	15.25	14.28
Occupancy Expense			
Heat, Light, Power, Water	.41	.43	.43
Repairs to Building	.36	.42	.33
Rent or Ownership in Real Estate**	2.10	2.37	1.80
Total Occupancy Expense	2.87	3.22	2.56
Other Costs of Doing Business			
Office Supplies and Postage	.36	.31	.49
Advertising	.89	.93	.83
Donations	.06	.12	.04
Telephone and Telegraph	.26	.28	.30
Bad Debts	.65	.69	1.49
Credit Card Expense	.03	.01	.00
Delivery (Other than Wages)	.91	1.04	.76
Insurance (Other than Real Estate and Group)	.84	.84	.61
Taxes (Other than Real Estate and Payroll)	.42	.48	.35
Interest on Borrowed Money (Other than Mortgages)	.98	1.37	.65
Depreciation (Other than Real Estate)	.71	.76	.52
Store and Shop Supplies	.16	.22	.25
Legal and Accounting	.32	.42	.39
Dues and Subscriptions	.08	.07	.07
Travel, Buying, Entertainment	.17	.20	.19
Unclassified	.77	.70	.41
Total Other Costs of Doing Business	7.61	8.44	7.35
Total Operating Expense	25.22	26.91	24.19
Net Operating Profit	1.33	(2.76)	5.54
Other Income	1.59	1.61	2.08
Net Profit (Before Income Taxes)	2.92	(1.15)	7.62

*As reported to us by Lumber/Building Material Financial Report contributors.
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

All Outlets

Balance Sheet Data	All Outlets	Low Profit Outlets	High Profit Outlets
Total Dollar Assets	$602,689	$617,781	$483,754
		% of Total Assets	
Assets			
Cash and Equivalent	6.47	3.53	9.70
Notes and Contracts Receivable	2.00	3.14	2.02
Accounts Receivable	23.60	21.33	24.09
Merchandise Inventory (End of Year)	40.24	43.26	40.06
Other Current Assets	3.13	3.00	3.24
Total Current Assets	75.44	74.26	79.11
Stocks and Bonds	1.67	1.31	2.70
Real Estate (Not Used in Business)	1.90	2.04	.84
Other Investments	1.75	2.83	1.09
Total Investments	5.32	6.18	4.63
Land (Owned and Used in Business)	4.09	2.71	2.95
Buildings (Owned and Used in Business less Depreciation)	8.19	9.64	8.50
Machinery & Office Equipment (Owned and Used in Business less Depreciation)	5.31	6.16	4.43
Other Fixed Assets	1.65	1.05	.38
Total Fixed Assets	19.24	19.56	16.26
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	11.09	14.00	5.45
Notes Payable	10.74	16.00	3.65
Accrued Expenses Payable	3.19	1.72	5.65
Federal Income Taxes Payable	.30	.05	.47
Other Current Liabilities	2.54	2.76	1.72
Total Current Liabilities	27.86	34.53	16.94
Long Term Debt	13.63	19.39	2.87
Deferred Income Taxes	.50	.10	2.08
Other Long Term Liabilities	1.85	3.76	.72
Total Long Term Liabilities	15.98	23.25	5.67
Total Liabilities	43.84	57.78	22.61
Net Worth	56.16	42.22	77.39
Total Liabilities And Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	12.04%	(6.21)%	19.78%
Active Owner's Return	28.14%	13.37%	33.48%
Current Asset Ratio	2.71x	2.15x	4.67x
Quick Asset Ratio	1.26x	.90x	2.31x
Total Debt to Tangible Net Worth	78.05%	136.84%	29.23%
Stock Turn Times	4.28x	3.96x	3.62x
Sales to Inventory Ratio	5.82x	5.22x	5.15x
Average Inventory per Sq. Ft. Sales Area	$94.18	$85.19	$108.60
Net Sales to Accounts Receivable	9.83x	10.62x	8.35x
Net Sales to Total Assets	2.32x	2.27x	2.01x
Net Sales to Net Worth	4.13x	5.37x	2.60x
Net Sales to Net Working Capital	4.88x	5.70x	3.24x
Other Operating Data			
Incoming Freight — % of Purchases	.33%	.49%	.16%
Credit Sales — % of Total Gross Sales	58.92%	56.41%	68.55%
Consumer Sales — % of Total Gross Sales	56.18%	53.38%	64.56%
Selling Area — Square Feet	3,674	3,179	3,427
Sales Per Square Foot — Selling Area	$380.65	$440.33	$283.96
Total Area — Square Feet	19,326	18,056	17,982
Sales Per Square Foot — Total Area	$72.36	$77.53	$54.12
Sales Per Person Employed	$101,467	$100,443	$88,388
Sales Per Customer	$66.14	$54.10	$99.03

Sales Volume Size

Income Statement Data	Sales Under $500,000	$500,000 To $999,999	$1,000,000 To $1,999,999	Sales $2,000,000 Or More
Number of Outlets	54	66	88	34
Net Sales Volume	$334,623	$772,997	$1,344,560	$4,442,137
Current Year's Sales vs. Previous Year*	-1.34%	-11.44%	-7.03%	-5.54%
Gross Sales	101.59%	101.99%	101.70%	101.48%
Less: Total Deductions	1.59	1.99	1.70	1.48
Net Sales	100.00%	100.00%	100.00%	100.00%
Cost of Goods Sold	72.06	70.75	72.31	75.42
Margin	27.94	29.25	27.69	24.58
Payroll and Other Employee Expense				
Salaries — Owners, Officers, Store Managers	6.78	5.01	4.73	2.52
Salaries — Other Employees	7.19	9.75	8.44	9.37
Federal and State Payroll Taxes	.92	1.06	.98	.76
Group Insurance	.40	.55	.35	.39
Benefit Plans	.61	.29	.60	.64
Total Payroll and Other Employee Expense	15.90	16.66	15.10	13.68
Occupancy Expense				
Heat, Light, Power, Water	.66	.52	.46	.30
Repairs to Building	.29	.31	.40	.36
Rent or Ownership in Real Estate**	2.46	2.47	2.16	1.89
Total Occupancy Expense	3.41	3.30	3.02	2.55
Other Costs of Doing Business				
Office Supplies and Postage	.44	.40	.39	.32
Advertising	1.33	1.06	.95	.74
Donations	.03	.04	.04	.08
Telephone and Telegraph	.31	.34	.31	.19
Bad Debts	.57	.45	.99	.47
Credit Card Expense	.01	.02	.07	.01
Delivery (Other than Wages)	.93	1.33	.82	.84
Insurance (Other than Real Estate and Group)	.85	1.08	.80	.78
Taxes (Other than Real Estate and Payroll)	.19	.44	.39	.46
Interest on Borrowed Money (Other than Mortgages)	.67	1.25	.93	.96
Depreciation (Other than Real Estate)	.79	.84	.76	.61
Store and Shop Supplies	.27	.17	.14	.15
Legal and Accounting	.37	.33	.34	.30
Dues and Subscriptions	.11	.11	.08	.06
Travel, Buying, Entertainment	.16	.21	.21	.13
Unclassified	1.14	.62	.69	.84
Total Other Costs of Doing Business	8.17	8.69	7.91	6.94
Total Operating Expense	27.48	28.65	26.03	23.17
Net Operating Profit	.46	.60	1.66	1.41
Other Income	2.39	1.87	1.85	1.19
Net Profit (Before Income Taxes)	2.85	2.47	3.51	2.60

*As reported to us by Lumber/Building Material Financial Report contributors.
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

Sales Volume Size

Balance Sheet Data	Sales Under $500,000	$500,000 To $999,999	$1,000,000 To $1,999,999	Sales $2,000,000 Or More
Total Dollar Assets	$189,992	$414,191	$613,563	$1,595,909
		% of Total Assets		
Assets				
Cash and Equivalent	7.46	4.89	6.41	7.15
Notes and Contracts Receivable	1.42	1.62	1.86	2.45
Accounts Receivable	14.11	21.15	23.00	27.22
Merchandise Inventory (End of Year)	44.83	42.55	40.19	38.19
Other Current Assets	1.30	3.89	2.64	3.59
Total Current Assets	69.12	74.10	74.10	78.60
Stocks and Bonds	4.84	1.13	2.38	.65
Real Estate (Not Used in Business)	1.10	3.84	1.56	1.42
Other Investments	1.76	3.25	1.20	1.54
Total Investments	7.70	8.22	5.14	3.61
Land (Owned and Used in Business)	2.77	3.72	2.79	5.83
Buildings (Owned and Used in Business less Depreciation)	13.38	6.63	10.79	5.42
Machinery & Office Equipment (Owned and Used in Business less Depreciation)	6.41	5.71	5.23	4.97
Other Fixed Assets	.62	1.62	1.95	1.57
Total Fixed Assets	23.18	17.68	20.76	17.79
Total Assets	100.00%	100.00%	100.00%	100.00%
Liabilities And Net Worth				
Accounts Payable	11.78	8.94	8.90	14.22
Notes Payable	7.89	13.18	7.26	13.50
Accrued Expenses Payable	1.03	2.31	3.68	3.54
Federal Income Taxes Payable	.15	.39	.20	.38
Other Current Liabilities	2.24	2.64	2.09	3.00
Total Current Liabilities	23.09	27.46	22.13	34.64
Long Term Debt	6.02	11.74	16.80	12.86
Deferred Income Taxes	.15	.15	1.11	.14
Other Long Term Liabilities	5.85	3.17	1.79	.49
Total Long Term Liabilities	12.02	15.06	19.70	13.49
Total Liabilities	35.11	42.52	41.83	48.13
Net Worth	64.89	57.48	58.17	51.87
Total Liabilities And Net Worth	100.00%	100.00%	100.00%	100.00%
Financial Performance				
Profit on Investment	7.73%	8.02%	13.23%	13.97%
Active Owner's Return	26.14%	24.28%	31.05%	27.52%
Current Asset Ratio	2.99x	2.70x	3.35x	2.27x
Quick Asset Ratio	1.05x	1.15x	1.53x	1.17x
Total Debt to Tangible Net Worth	54.10%	73.96%	71.96%	92.78%
Stock Turn Times	2.96x	3.13x	3.95x	5.54x
Sales to Inventory Ratio	4.11x	4.42x	5.46x	7.35x
Average Inventory per Sq. Ft. Sales Area	$48.03	$82.50	$108.55	$115.51
Net Sales to Accounts Receivable	12.48x	8.83x	9.53x	10.23x
Net Sales to Total Assets	1.76x	1.87x	2.19x	2.78x
Net Sales to Net Worth	2.71x	3.25x	3.77x	5.37x
Net Sales to Net Working Capital	3.63x	4.00x	4.22x	6.33x
Other Operating Data				
Incoming Freight — % of Purchases	.16%	.31%	.31%	.38%
Credit Sales — % of Total Gross Sales	64.61%	65.14%	55.33%	58.94%
Consumer Sales — % of Total Gross Sales	71.76%	61.54%	49.92%	37.61%
Selling Area — Square Feet	2,859	3,283	3,961	5,177
Sales Per Square Foot — Selling Area	$117.04	$235.45	$339.45	$858.05
Total Area — Square Feet	15,337	20,031	20,974	18,019
Sales Per Square Foot — Total Area	$21.82	$38.59	$64.11	$246.53
Sales Per Person Employed	$75,483	$88,308	$98,550	$116,132
Sales Per Customer	$34.92	$41.10	$77.63	$125.67

Sales Floor Size

Income Statement Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	Sales Area 5,000 Sq. Ft. or More
Number of Outlets	83	75	66
Net Sales Volume	$819,772	$1,331,409	$1,804,439
Current Year's Sales vs. Previous Year*	-9.77%	-3.96%	-6.73%
Gross Sales	101.91%	101.82%	101.88%
Less: Total Deductions	1.91	1.82	1.88
Net Sales	100.00%	100.00%	100.00%
Cost of Goods Sold	73.42	72.64	74.42
Margin	26.58	27.36	25.58
Payroll and Other Employee Expense			
Salaries — Owners, Officers, Managers	4.60	4.56	3.43
Salaries — Other Employees	8.34	8.37	8.94
Federal and State Payroll Taxes	.97	.88	.93
Group Insurance	.48	.42	.37
Benefit Plans	.49	.56	.60
Total Payroll and Other Employee Expense	14.88	14.79	14.27
Occupancy Expense			
Heat, Light, Power, Water	.42	.39	.42
Repairs to Building	.42	.26	.42
Rent or Ownership in Real Estate**	1.93	2.03	2.26
Total Occupancy Expense	2.77	2.68	3.10
Other Costs of Doing Business			
Office Supplies and Postage	.36	.47	.31
Advertising	.86	.99	.97
Donations	.04	.03	.04
Telephone and Telegraph	.28	.31	.26
Bad Debts	.42	1.21	.42
Credit Card Expense	.01	.02	.07
Delivery (Other than Wages)	.95	.87	.85
Insurance (Other than Real Estate and Group)	.92	.76	.71
Taxes (Other than Real Estate and Payroll)	.42	.50	.29
Interest on Borrowed Money (Other than Mortgages)	1.02	1.07	.94
Depreciation (Other than Real Estate)	.85	.59	.68
Store and Shop Supplies	.19	.18	.08
Legal and Accounting	.34	.39	.31
Dues and Subscriptions	.10	.08	.06
Travel, Buying, Entertainment	.20	.23	.15
Unclassified	.95	.45	.90
Total Other Costs of Doing Business	7.91	8.15	7.04
Total Operating Expense	25.56	25.62	24.41
Net Operating Profit	1.02	1.74	1.17
Other Income	1.66	1.76	1.42
Net Profit (Before Income Taxes)	2.68	3.50	2.59

*As reported to us by Lumber/Building Material Financial Report contributors
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages

Sales Floor Size

Balance Sheet Data	Sales Area Under 3,000 Sq. Ft.	3,000 Sq. Ft. To 4,999 Sq. Ft.	Sales Area 5,000 Sq. Ft. Or More
Total Dollar Assets	$372,040	$595,781	$750,941
		% of Total Assets	
Assets			
Cash and Equivalent	9.64	5.56	5.03
Notes and Contracts Receivable	1.53	2.05	2.27
Accounts Receivable	20.64	28.00	20.82
Merchandise Inventory (End of Year)	40.17	41.58	42.03
Other Current Assets	3.84	2.51	2.82
Total Current Assets	75.82	79.70	72.97
Stocks and Bonds	2.38	.91	2.24
Real Estate (Not Used in Business)	1.19	2.24	2.38
Other Investments	3.31	1.30	1.63
Total Investments	6.88	4.45	6.25
Land (Owned and Used in Business)	2.90	2.83	3.37
Buildings (Owned and Used in Business less Depreciation)	6.61	7.03	10.37
Machinery & Office Equipment (Owned and Used in Business less Depreciation)	6.87	5.53	4.36
Other Fixed Assets	.92	.46	2.68
Total Fixed Assets	17.30	15.85	20.78
Total Assets	100.00%	100.00%	100.00%
Liabilities And Net Worth			
Accounts Payable	11.32	8.82	12.26
Notes Payable	10.51	10.62	11.58
Accrued Expenses Payable	2.16	4.65	2.92
Federal Income Taxes Payable	.17	.30	.30
Other Current Liabilities	2.02	2.93	1.85
Total Current Liabilities	26.18	27.32	28.91
Long Term Debt	11.22	8.87	20.19
Deferred Income Taxes	.14	1.48	.03
Other Long Term Liabilities	2.29	1.77	1.75
Total Long Term Liabilities	13.65	12.12	21.97
Total Liabilities	39.83	39.44	50.88
Net Worth	60.17	60.56	49.12
Total Liabilities And Net Worth	100.00%	100.00%	100.00%
Financial Performance			
Profit on Investment	9.82%	12.92%	12.68%
Active Owner's Return	26.66%	29.76%	29.44%
Current Asset Ratio	2.90x	2.92x	2.53x
Quick Asset Ratio	1.36x	1.39x	1.07x
Total Debt to Tangible Net Worth	66.21%	65.15%	103.55%
Stock Turn Times	4.11x	3.97x	4.23x
Sales to Inventory Ratio	5.60x	5.47x	5.68x
Average Inventory per Sq. Ft. Sales Area	$124.75	$101.73	$82.57
Net Sales to Accounts Receivable	10.67x	7.98x	11.54x
Net Sales to Total Assets	2.20x	2.23x	2.40x
Net Sales to Net Worth	3.66x	3.69x	4.89x
Net Sales to Net Working Capital	4.44x	4.27x	5.45x
Other Operating Data			
Incoming Freight — % of Purchases	.36%	.24%	.47%
Credit Sales — % of Total Gross Sales	67.74%	63.89%	54.52%
Consumer Sales — % of Total Gross Sales	55.14%	53.59%	60.67%
Selling Area — Square Feet	1,821	3,682	5,750
Sales Per Square Foot — Selling Area	$558.54	$406.91	$344.22
Total Area — Square Feet	18,919	15,887	24,365
Sales Per Square Foot — Total Area	$59.41	$86.67	$93.61
Sales Per Person Employed	$94,285	$99,998	$100,899
Sales Per Customer	$69.28	$70.36	$56.73